

**Department of Personnel Administration
Memorandum**

TO: Personnel Management Liaisons (PML)

SUBJECT: State Income Tax—Age 24–25 Health and Dental Plan Dependents	REFERENCE NUMBER: 2011-001
DATE ISSUED: 1/10/2011	SUPERSEDES:

This memorandum should be forwarded to:

**Employee Benefits Officers
Personnel Officers
Personnel Transactions Staff
Personnel Transactions Supervisors**

FROM: Department of Personnel Administration
Benefits Division

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Federal health reform legislation extended health and dental plan dependent eligibility to age 26. In conjunction with the extension of dependent eligibility, the Federal Internal Revenue Service also extended the federal income tax exclusion for employer-sponsored medical benefits to include dependent children up to age 27.

However, California State income tax rules were not changed to modify the definition of “dependent” as used in the Revenue and Taxation Code. Employees who enrolled age 24–25 dependents during the recent open enrollment period, who subsequently enroll age 24–25 dependents, or whose existing dependents reach age 24, may incur additional State income tax liability beginning with the 2011 tax year.

We are awaiting further guidance from the Franchise Tax Board or Employment Development Department. Employees who have questions or concerns should consult their tax advisor regarding potential State income tax consequences associated with age 24–25 dependents.

We will provide additional information if/when it becomes available.

/s/ Greg Beatty

Greg Beatty, Chief
Benefits Division